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Title: Organization redefines itself

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When the federal tobacco quota buyout became a reality in 2005, the Burley Tobacco Growers Cooperative lost one of its primary reasons for existence.

Now, with the Lexington based cooperative facing a lawsuit over its assets, cooperative officials are looking for ways to keep the organization viable.

"Obviously for the cooperative to survive in the post-buyout era it must redefine its role," said Will Snell, an agricultural economist at the University of Kentucky. "The challenge before the cooperative is to find a package of services that it can offer for a much more concentrated growing sector that provides value to their post-buyout members."

In the quota and price support days, the cooperative managed the burley "pool." When tobacco companies wouldn't purchase tobacco at auction for the set minimum price, the cooperative would buy the tobacco and place it in the pool.

The cooperative bought tobacco with member fees. The pool would be sold off later to tobacco companies.

The burley pool system disappeared with the rest of the tobacco program. In 2005, the cooperative sold most of its remaining pool stocks for about \$118 million, the Lexington Herald-Leader reported.

A group of growers sued, saying the cooperative owed growers the proceeds of the sale, as well as reserve funds the growers contend were collected as far back as 1982.

The case is pending in Fayette Circuit Court.

After the retirement of longtime director Danny McKinney, Scott Althaus became the cooperative's acting director. Althaus said the cooperative has been purchasing tobacco at independent auctions across the state. The auctions are for growers who aren't selling their crops directly to cigarette manufacturers.

"We're actually picking and choosing the grades we think we can use, to provide an inventory for future sales," Althaus said. The cooperative doesn't run the auctions, but acts as any other buyer, Althaus said.

The cooperative plans to sell the tobacco it purchases domestically and overseas, Althaus said.

"In the past, we've had some sales to China" he said. "We had a little sale to a company in Vietnam. We just got back from a visit with some manufacturers in Indonesia."

Although burley tobacco is grown in Asia, American growers still have an edge over their Chinese counterparts, Althaus said.

"We still have the quality no one else can match," he said. If necessary, the cooperative would be willing to hold independent tobacco auctions of its own.

"Our board is on record as stating if no independent operators (hold auctions) we'd step in and provide an alternative marketing system," Althaus said.

The cooperative is still mapping out future plans -- but the organization can still be source of information for tobacco growers, and can lobby in Washington, D.C., and Frankfort for legislation favorable to growers, Althaus said.

For example, the organization will lobby for growers' interest when Congress begins discussing regulation of tobacco products by the Food and Drug Administration.

"Our main concern is how it affects our growers" on their farms, Althaus said.

One cooperative plan is to help farmers find labor to harvest their crops through the federal H2A program. Last year, a chronic labor shortage kept many farmers from cutting their tobacco crops until frost. Some farmers had to leave tobacco in the fields to rot.

This year, the cooperative plans to help farmers pay the administrative costs for bringing workers to their farms through the H2A program, Althaus said.

The cooperative also intends to redistribute some of its funds to members, Althaus said.

"Our board is on record as announcing they would like to do some member distribution of some assets," Althaus said. With many farmers leaving tobacco production, the organization is updating its membership rolls.

"Technically, we're still carrying our old membership, but we're working on getting our membership revised, so we're still working for the guys still involved in tobacco production," Althaus said.

Snell said the cooperative could provide services to growers, such as evaluating alternative marketing methods, opening and expanding markets, providing education and financial assistance, negotiating contracts between growers and tobacco companies and working with labor organizations. The cooperative could find other ways to work for growers, Snell said.

"Growers will have to evaluate the benefits and costs of these services versus the confidence that they have in a system where they are an individual voice in expressing their desires (and) concerns to tobacco companies, policy makers, health organizations and other entities affected by the tobacco industry," Snell said.

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